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STATE BOARD OF PENSION TRUSTEES
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BOARD OF PENSION TRUSTEES GOVERNANCE COMMITTEE
PUBLIC MEETING MINUTES OF FEBRUARY 28, 2023

The Governance Committee meeting was called to order by P. Tikellis, Chair, at 10:05 a.m. via video and teleconferencing.

Members Present

Pam Tikellis
Dale Stratton
Harold Stafford

Members Absent

George Saxon
Jim Burke

Others Present

Joanna Adams, Pension Office
Stephenie Tatman, Pension Office
Vicki Schultes, Pension Office
Ryan Connell, Deputy Attorney General
Bill O'Brien, Deputy Attorney General
Aim Comparatore, Survivor Pensioner

1. OPENING COMMENTS

Ms. Adams introduced Harold Stafford to the Governance Committee (Committee) as the Audit Committee and Board of Pension Trustees representative, and extolled his many years of service in State government. Everyone expressed their gratefulness for H. Stafford's willingness to join the Committee. Ms. Adams introduced the other Committee members, Deputy Attorneys General, and Pension Office Staff. A. Comparatore introduced himself as well.

2. APPROVAL OF THE MINUTES

The Public Minutes of the November 9, 2022 Governance Committee meeting were reviewed and approved as submitted.

MOTION made by P. Tikellis and seconded by D. Stratton to approve the Public Minutes of the November 9, 2022 meeting as submitted.

MOTION ADOPTED UNANIMOUSLY

The Executive Minutes of the November 9, 2022 Governance Committee meeting were reviewed and approved in Executive Session.

MOTION made by D. Stratton and seconded by P. Tikellis to approve the Executive Minutes of the November 9, 2022 meeting as submitted.

MOTION ADOPTED UNANIMOUSLY

3. PENSION ADMINISTRATOR UPDATES

BEST PRACTICES/SELF-ASSESSMENT LIST:

There was nothing to report for Public Session.

POSITIONS UPDATE:

Ms. Adams reported that the Office of Pensions is experiencing a flurry of hiring activity to fill vacant positions. Three Human Resource Analyst I and one Human Resource Analyst II positions started today. The Office of Pensions is fortunate to hire a retiree from the Social Security Administration, which is a true advantage. The interview process is ongoing for the other existing vacancies. Eight positions are on hold, with five limited term (LT) vested positions vacant due to internal promotion. Once the Department of Human Resources (DHR) finalizes the reclassification/maintenance review process, the two Human Resource Information System (HRIS) positions will also be posted.

In addition, maintenance reviews were conducted in 2022 for Office of Pension positions within Member Services (the Payroll, Benefits, and Pension Administration sections). Additional maintenance reviews are currently underway for the Human Resource Information System (HRIS) positions, as well as training positions. Maintenance reviews for fiscal positions are in the early stages of completion. An initiative is in place to review all state positions over the next three years.

LEGISLATION:

SENATE BILL 29 WITH SENATE AMENDMENT NO. 1:

This Act creates subcommittee of the State Employee Benefits Committee (SEBC) to supersede the Retirement Benefits Study Committee (RBSC). This subcommittee will explore healthcare and its challenges with the Other Post-Employment Benefits (OPEB) Trust Fund. The RBSC was formally dissolved by Executive Order last week.

SENATE BILL 42:

This Act increases the burial benefit for individuals eligible to receive a pension under the State Employees' Pension Plan from \$7,000 to \$10,000. There will not be a post-retirement increase (PRI) for retirees this year. The burial benefit hasn't been increased since 2001, and we are encouraged by the strong support of this bill from multiple legislators. Ms. Adams reported that the cost for implementation can be amortized over a five-year period. If this bill passes, it will result in an approximate \$40 million increase in unfunded liability.

ENTERPRISE RESOURCE PLANNING (ERP) MODERNIZATION PROJECT:

The current Office of Pensions automated Human Resource and Payroll system will reach its end of life in 2030. The Office of Pensions has begun the process of replacing the system through the implementation of its ERP modernization project. The first step in this process – defining our business requirements - is ongoing. The Office of Pensions hopes to have a Request for Proposal (RFP) in place at the end of this year or early next year. Office of Pensions staff participated in three public pension system demos during the last

month, which offered eye-opening presentations of what these systems are capable of. New efficiencies include a built-in general ledger, imaging, and payroll system - incorporating three systems into one. The modernization project is a multi-year process that has produced exciting results thus far.

OTHER ITEMS:

Ms. Adams commented that state agencies are looking at the Pension Fund to solve their vacancy issues, resulting in a large interest in easing the Return to Work (RTW) restrictions. Caution should be exercised when considering easing the restrictions because they shouldn't be eased so much that it encourages early retirements. If that happens, there will be recruitment/retainment issues statewide, which will add pressure to the Pension Fund (the Fund) because employees are contributing to the Fund less and collecting a pension for a longer duration.

A pilot program is being developed through collaboration with the Department of Human Resources and the Department of Health and Social Services to test the viability of centralizing the retirement process within the Office of Pensions. Presently, employees go to their agency's Human Resources staff to start the pension application process, however, representatives' misinformation commonly leads to issues or delays with retirement dates, medical coverage or disruption in Medicare. The Office of Pensions has requested dual incumbency of two additional positions to move forward with this initiative. The Office of Pensions is grateful for the incredible support from Office of Management and Budget Director Cerron Cade and Deputy Directory Courtney Stewart, who have embraced the needs and recognize the value of the Office of Pensions.

S. Tatman reported that the remaining Summary Plan Documents are in her possession, and she hopes to have a report on their progress at the next Governance Committee meeting.

S. Tatman also commented on increasing the frequency in which the Active Employee Newsletters are published. An Active Employees Newsletter will be released in March 2023 for the first since 2014. The Office of Pensions did not intend to have such a lapse between newsletters. This was caused by short staffing and other challenges within the office. The Office of Pensions has taken the initiative to resume the process to cultivate and build relationships with the members.

Lastly, the Medicare Advantage stay of implementation is expected to go to trial this summer. Any change in Medicare-eligible benefit options will not take place for at least a year or two.

4. COMMITTEE UPDATES

INVESTMENT COMMITTEE:

Ms. Adams reported that equity and fixed income markets started 2023 with strong gains. Market sentiment was boosted by signs that inflation is easing and optimism that central banks would continue to slow the pace of interest rate hikes. Corporate earnings results were generally viewed favorably compared to lowered expectations. The broad US equity market, as measured by the Russell 3000 index, moved higher by 6.9%. Within US equities, growth outpaced value, marking the first month growth outperformed since July 2022. Outside the US, weakness in the US dollar aided returns for international stocks as the MSCI EAFE index was up 8.1% and the MSCI Emerging Markets index advanced 7.9%. In fixed income markets, yields generally moved lower (prices higher) and credit spreads tightened, resulting in a 3.1% return for the Bloomberg Universal bond index, while the more credit-sensitive Bloomberg High Yield index moved higher by 3.8.

D. Stratton commented that some of the fixed-income vehicles are paying more due to inflation. We are getting as much or more on the ladder than we have been on just the monies we keep for trading.

The next Investment Committee meeting is scheduled for March 21, 2023.

AUDIT COMMITTEE:

H. Stafford reported that BDO provided an update on their progress of the FY22 GASB 68/75 Schedules Audit Planning Report during the February 10, 2023 Audit Committee meeting.

The next Audit Committee meeting is scheduled for May 12, 2023.

5. DEPUTY ATTORNEY GENERAL UPDATE

R. Connell asked for comments regarding the draft Memorandum of Understanding (MOU) between the State of Delaware Department of Justice (DOJ) and the Delaware Public Employees' Pension System (DPERS). P. Tikellis inquired about procedure, and how the MOU would go into effect once both sides agree on its terms. R. Connell wants to present the matter to the Board of Pension Trustees.

MOTION made by D. Stratton and seconded by P. Tikellis to enter into Executive Session to consider pension personnel matters, and confidential medical records, legal matters, sensitive commercial information, proprietary business information, trade secrets and confidential financial information.

MOTION ADOPTED UNANIMOUSLY

MOTION made by D. Stratton and seconded by H. Stafford to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

6. NEW BUSINESS

The remaining 2023 Governance Committee meetings are scheduled for May 18th, August 17th, and November 9th.

7. ADJOURNMENT

There being no further business:

MOTION was made by D. Stratton and seconded by P. Tikellis to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,



Joanna M. Adams
Pension Administrator



Pamela Tikellis (May 24, 2023 16:30 EDT)
Pamela Tikellis, Chair
Governance Committee